

TRENDS IN LABOR MIGRATION'S REGULATION IN THE EUROPEAN UNION

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Abstract

The paper analyzes the recent developments in labor migration regulation in the EU and its implications for Romania as a EU member country. The new regulations will affect both Romanian economy and Romanian education system and in order to minimize these effects adequate measures have to be initiated as soon as possible.

Overview of the current situation

According to data published on 1 June by Eurostat, the jobless rate in the EU stood at 7.1% in April 2007 – representing nearly a full percentage point drop since last year and bringing unemployment in Europe down to its lowest level for more than 15 years.

In 2006, 2 million new jobs were created and, based on the continent's booming growth rates, the Commission has predicted that another 5.5 million jobs will be created in 2007 and 2008.

However, amid these positive developments, a dilemma lurks for Europe's businesses and leaders: that of finding people to fill all these new vacancies and keep the economy surging forward.

Europe's declining population, the ageing of its workforce and its lack of qualified personnel mean that labour shortage, which is severely limiting the innovation capacity of those high-tech companies leading the economic revival, is fast becoming one of the largest constraints to the continent's competitiveness.

By mid 2007 there were around three million unfilled jobs in Europe, according to Commission figures. While the problem has traditionally been linked to low-skilled jobs, filling jobs in high-skill sectors, such as engineering, is also becoming increasingly troublesome.

This is particularly true in Europe's largest economy, Germany, where vacancies for engineers rose by nearly 30% over the past year to around 23,000.

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According to a study by the Institute for the German Economy, the cost of these missing personnel can be estimated at around €3.5 billion per year.

Recently, German engineering conglomerate Siemens AG offered a prize of €3,000 to anyone who can help the company recruit an engineer, as it struggles to deal with an overflowing order book.

This situation reveals the severity of Europe's skilled-labour shortage, a problem also common to the information technology sector, which contributes more than 5% of the EU's GDP, but where it is expected that there will be a shortage of 300,000 qualified staff by 2010.

Therefore, from the point of view of labor situation, at the beginning of the 21st century, Europe is facing a double challenge.

On the one hand demographic developments which will mean that according to projections, by 2050 two workers will have to pay for the livelihood of one retired person (compared with four workers today). Higher birthrates, which the EU and its member states attempt to bring about through a whole array of policies, can mitigate this development, but not counteract it completely. This situation is aggravated by the fact that an increasingly competitive global economy in which economic growth will depend on productivity growth after 2020. As a result, a growing number of highly-skilled workers will be needed. However, many European countries have problems training children and young adults for the challenges of tomorrow's professional lives.

On the other hand, restrictive immigration laws prevent European companies from hiring the staff that they urgently need from abroad. Some countries even train students in highly sought-after engineering sciences and then force them to leave the country once they have finished their studies.

The size of the challenge

The Commission has calculated that the EU needs an extra twenty million immigrants, both high-skilled and low-skilled, over the next twenty years. It therefore proposes that member states stop to concentrate on blocking access to foreigners and open their borders for regulated, legal immigration instead.

In this context, Justice Commissioner Franco Frattini said that the EU has to learn to compete with the US, which thus far attracts most of the skilled labour in the world, while labour immigrants to the EU tend to be mostly unskilled.

In the same context Portugal's employment state secretary, Fernando Medina, said that he supports a "realistic" approach to immigration policy, during his country EU Presidency.

Such a policy should be based on four pillars:

- A realistic approach to legal migration, which places the emphasis on economic migration. "If we try to be too restrictive on legal migration, this is not a realistic approach," the Portuguese state secretary said.

- Social inclusion policies, which address "how people work and live in the country" as well as their working conditions.

- An effective border policy, to control the influx of legal and illegal immigrants. "There is no use having a very tight immigration system if we don't have an effective border control system."

- Development policy, namely co-operation with African countries that make up the bulk of economic migration to Europe, a problem Medina said will "obviously going to continue and to put pressure on our system".

Recognizing the importance of the problem, the Commission will propose, in October 2007, a legal package consisting of:

- a framework directive on the rights of legal immigrants;
- a directive on highly-skilled immigrant workers (the so-called 'Blue Card' proposal);
- a directive on seasonal workers;
- a directive on intra-company transfers, and;
- a directive on paid trainees.

One problem (labor): two solutions

Given this labor shortage problem is facing two solutions, namely encourage active ageing and opening to foreign workers.

1. Encouraging 'active ageing'

Firms, which in the lean years had been sending older employees into early retirement, are now finding that their only option is to rehire these 'silver workers' in order to fill their staffing gaps.

With 22% of the EU population already over 60 and this share expected to rise to 36% in 2050, companies will have to rely on senior workers even more in the future and the EU is pushing forward policies aimed at keeping people in the workplace for longer.

Bans on age discrimination, a focus on lifelong training and encouraging more flexible work schedules are part of efforts being undertaken at this level.

2. Opening to foreign workers

Getting Europe's workforce to work longer will not be enough to solve Europe's manpower problem.

The EU has recognised the role of labour mobility and migration in overcoming bottlenecks on the labour market, but, so far, European voters have

been reluctant to espouse these options, be it through Europe's enlargement, Turkey's membership in the EU or more liberal immigration rules.

Older member states including Germany are still holding back from letting in workers from the ten countries that joined the EU three-and-a-half years ago, despite the drastic shortages of workers in numerous sectors.

However, reports from countries such as Britain, which have opened their doors to workers from the new member states, show that immigration of high-skilled, low-cost workforce from these countries has helped companies to better compete in the global economy.

The risk of postponing the making of a decision concerning labor situation is very high. More and more companies are already leaving Europe behind to expand in countries such as China, with lower labour costs and stronger demand. If the supply of engineers does not pick up, this trend could continue, gradually eating away at Europe's 'critical mass' on the world stage.

EU Employment Commissioner Vladimír Špidla believes that free movement of workers can contribute to tackling unemployment and labour shortages in Europe. "It must be recognised that the absence of a mobility culture in Europe has a cost," he said, adding: "Free movement of workers is economically rational and is enshrined in EU treaties. We have not seen any catastrophic tendencies since enlargement." On the contrary, he stresses, imposing restrictions had led to "undesirable side-effects, such as higher levels of undeclared work".

Herbert Buscher, economist at the Halle Institute for Economic Research (IWH) concurs, saying that Germany, has "shot itself in the foot with its restriction to the free movement of workers".

Director of the Association of German Engineers (VDI), Dr Willi Fuchs, says that he does not expect any improvement, given that the number of engineer students is stagnating, and believes that policies should focus on the young generation and schools. "There is an image problem with the engineering profession... Young people still imagine that engineers are people working in blue overalls and spend the whole day in the middle of machines," said Michael Schwartz, spokesman for VDI, adding: "Now, people just want to consume technology."

Mixed reactions to the Commission initiatives

The idea to adopt a US immigration policy is not equally accepted by all European leaders. As result there are a variety of positions such as:

Commission President José Manuel Barroso: "Migration is one of the great issues of our age. The Commission has a clear twin-track strategy. Encourage legal migration that is beneficial to migrants, to their countries of

origin and to Europe. Clamp down on illegal migration. We will bring forward two proposed Directives on labour immigration in October, complementing the proposal already put forward on sanctions against those who employ illegal migrants."

Employment and Social Affairs Commissioner Vladimír Špidla: "I am strongly convinced: Today's Europe has no choice between a future with or without immigration. The only choice it has is between an immigration that is well or badly managed. (...) The European Union is developing an ambitious and balanced policy on immigration and integration. In my point of view, it is necessary to master the immigration and integration of migrants from a social cohesion point of view, which is, I would say, the one value that distinguishes Europe from the other great Western civilisations."

Justice, Freedom and Security Commissioner Franco Frattini: "Countries with rapid economic growth in recent years, such as Spain and Ireland, have clearly benefited from the in-flow of skilled workers from both within and outside the EU. Across the EU all skill levels are required. The challenge is to attract the workers needed to fill specific gaps. Working together makes the EU stronger not just when dealing with problems such as illegal migration and border management, but also in seizing the opportunities which migrants embody. Common action at EU level also gives member states a stronger voice on the international stage, bearing in mind that there is competition between different countries and regions of the world for skilled migrants, especially with high qualifications."

German Minister of the Economy Michael Glos (CSU; Bavarian Christian-Conservative) rejected the Commission's proposals immediately after their presentation. He declared that Germany could not "get masses of foreign workers just because we need them for the time being", and added: "That would be equal to opening and closing a water tap." Glos pointed out that "there is a large reservoir of unused labour in Germany". Politicians from the other parties who are partners in Angela Merkel's government - the Social Democrats and Merkel's Christian Democrats - argued along the same lines.

UK Green MEP Jean Lambert: "The new shift in emphasis by Justice Commissioner Frattini to focus EU policy on legal migration and integration is most welcome. The EU needs immigration and we should not be afraid to say so, as Commissioner Frattini has done this week. We have much to gain culturally, socially and economically from adopting a more coherent EU-level approach to immigration and the proposed 'blue card' is certainly one positive initiative to this end. However, a successful immigration policy does not just stop once the visa is issued: a comprehensive approach, dealing with the integration of immigrant communities is crucial. To this end, we particularly welcome the focus of the Commission on participation and citizenship, as well as on preventing alienation and discrimination against immigrants."

Bashy Quraishy, President of the European Network Against Racism (ENAR): "Although in principle every person in the EU is entitled to equal treatment regardless of his or her legal status, the reality in most EU countries is that migrants and their descendents increasingly face racism and discrimination. ENAR is seriously concerned about the lack of respect for the rights of third country nationals. EU policy and decision makers present at the conference must find solutions to reverse this situation and urge EU leaders to live up to their commitment to fundamental rights."

The position of Romania as a EU member country

Romania is also facing more and more a labor problem as it has both the demographical decline situation and a fast relocation of labor towards Western Europe.

Under the circumstances Romania has to adopt and support the EU position (that is combine active ageing and opening to foreign/non-EU workers) and to do some specific things related to Romanian environment like:

- bringing into industrial and service sector activities people from rural areas;
- improve vocational education and active measures for re-qualification in order to speed up labor mobility;
- capitalize on its historical links with other neighbouring areas (like Republic of Moldova) or with countries that used to be traditional trade partners (like China).

In our opinion Romania should be a supporter of the recent initiatives of the EU Commission as they seem to be in line with its interests. Also Romania may benefit by a higher speed of reaction as a number of social structures as less conservative or less strong that in Western Europe.

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